Pharmacy Benchmarks' Benefits and Limitations

What Health System Executives Need to Know

When health system leaders need to cut costs or find new efficiencies, they often turn to benchmarks. Benchmarks can be a useful tool for identifying areas in which individual facilities or organizations differ from a comparison group, and so can be used to prioritize areas for further investigation. However, benchmarks also have significant limitations. These limitations are especially pronounced in pharmacy. Given that pharmacy services are essential to quality, safety, and financial performance, there is a danger is that misapplying pharmacy benchmarks can lead to significant harm. This briefing examines the limitations and benefits of pharmacy benchmarks and provides recommendations for how to use them for maximum value.

Pharmacy Benchmark Limitations

No single metric can capture all of pharmacy's activities.

In decades past, pharmacy was a cost center focused on managing inpatient drugs, medication safety, and regulatory compliance. Thus the majority of pharmacy productivity measures focus on measures of product distribution, such as doses dispensed.

But as health care has changed so has pharmacy. The role of the pharmacy enterprise has expanded to include business development, wide-ranging clinical services, and population health initiatives. In particular, pharmacists spend a much larger portion of their time on clinical activities that increase patient safety, improve outcomes, reduce the direct costs of care, and also enable other clinicians, especially physicians and nurses, to be more efficient and effective.

Unfortunately, pharmacy productivity metrics have not kept up. When it comes to pharmacy measurement, perhaps the only area of consensus is that no single measure is adequate for capturing pharmacy's contributions. The problem is especially pronounced when trying to quantify pharmacists' cognitive work.

The intensity of pharmacy clinical services varies significantly and does not correlate with CMI[1].

Just like physicians, clinical pharmacists perform an array of activities which require differing amounts of time, clinical skill, cognitive effort, and resource intensity. In physician practice, Relative Value Units (RVUs) are designed to account for these differences. In pharmacy practice, the closest equivalent is Pharmacy Intensity Scores (PIS).

PIS assigns a value to each DRG that is designed to reflect the pharmaceutical resource intensity of each admission. Thus PIS adjusted productivity measures are a more meaningful measurement of inpatient pharmacist activities than CMI.

To date, there is no equivalent measurement for clinical pharmacists working in other care settings, such as clinics or retail pharmacies. As pharmacists take on increasing cross-continuum responsibilities, it will be important to account for variability in work intensity in these other settings as well.

True apples-to-apples comparisons are difficult, if not impossible.

Benchmarking across institutions is always challenging. Health systems differ in myriad ways, including their patient populations, payer mix, service offerings, and staffing models. In pharmacy, difference in state laws and regulations may also have a significant impact on staffing levels and scope of practice. As a result, pharmacy services and staff roles often look very differently at different organizations.

Unfortunately, productivity measures are unable to capture this variability. Even if they were, a close examination would likely reveal that each health system is the product of its unique circumstances. The challenge then becomes creating a cohort of institutions that are similar enough to warrant comparison.

Drug spending tends to be inversely correlated with pharmacy staff spending

At a typical health system, drugs account for 75-90% of the pharmacy budget and most of the remaining 10-25% is directed toward staffing. Generally speaking, as pharmacy staffing levels increase, total pharmacy costs decline. That's because pharmacists are well positioned to recommend less expensive or more effective medications, prevent medication errors and complications, and improve patient outcomes.

Using Benchmarks Effectively

Talk to your pharmacy leaders to understand the scope of what they do.

As noted above, pharmacy benchmarks consistently fail to tell the complete story of what the department is doing. By taking the time to speak with your pharmacy leader to understand how your health system's pharmacy enterprise is similar or different from other organizations, you will be better able to assess whether the benchmarks being used are reasonable and what adjustments might need to be made.

Remember that benchmarks describe current practice, not best practice.

External benchmarks provide insight into variance by organization or department. Since they describe what happens and not necessarily what is ideal, benchmarks should be used to identify potential performance improvement opportunities requiring further exploration.

Additionally, staffing benchmarks should not be used in isolation, but rather should be considered as one part of a multi-factorial analysis, including an examination of care quality, patient satisfaction, or employee engagement.

Choose your comparison cohort carefully.

To control for variability across health systems, one approach is to select a small group of comparator institutions that share certain key characteristics. While a certain degree of variability is inevitable, smaller groups can be controlled to have more in common. Ideally you would consider pharmacy measures from multiple comparator groups and then use the data to develop a composite measure of pharmacy performance across the group.

Be prepared to invest in pharmacy staffing to fuel growth.

Pharmacy offers some of the most promising revenue opportunities for health systems—specifically through specialty pharmacy and retail pharmacy. Cutting pharmacy staff not only limits your ability to grow in these areas but can also impact your ability to meet regulatory requirements, protect patient safety, and ensure high-quality care.

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